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China's Direct Investment Abroad Rises 27% as Beijing Policy Shifts

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BEIJING -- Direct investment overseas by China rose 27% to \$3.62 billion in 2004 from a year earlier, the Ministry of Commerce said, highlighting the country's growing influence abroad.

The increase, though small compared with the \$60 billion of foreign direct investment China received last year, represents a significant shift in government policy.

After years of trying to keep money at home, the government now is trying to encourage companies to seek opportunities abroad.

The new policy in part aims to deflect criticism abroad of China's swelling foreign-currency reserves and to secure China's access to natural resources.

All told, the number of offshore units of China-invested companies rose 62.5% to 829 firms, the Ministry of Commerce statement said.

China's contracted investment overseas, a leading indicator of money in the pipeline but not yet spent, rose 78% to \$3.71 billion.

About 69% of the overseas direct investment by China in 2004, or \$2.51 billion, was spent acquiring equity in overseas companies. Reinvestment of profit from continuing concerns accounted for the remaining \$1.11 billion.

China has been encouraging many of its big companies to look abroad for investment opportunities to help offset the continued growth of foreign direct investment. Companies have particularly targeted the mining sector to help reduce China's dependence on overseas companies to supply growing demand by its steel and other refineries.

Some 53% of the total actual overseas direct investment was spent in the mining sector, spokesman Chong Quan said in the Ministry of Commerce statement. A further 26.5% of the total was spent in the business and services sector and 13.5% in the manufacturing sector, he said.

By the end of 2004, China's total accumulated direct spending overseas reached nearly \$37 billion, Mr. Chong said.

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